American. Thus, quite apart from political understanding such as was manifested in the Ishii-Lansing agreement, the "consciousness of difference" must in time be displaced, to use Professor Giddings' phrase, by a "consciousness of kind."

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WASHINGTON NOTES

GOVERNMENT CONTROL OF TRANSPORTATION

The Administration's program for the operation of the transportation system of the country and for the payment of its owners has now taken definite form in bills reported by committees in both houses of Congress (S. 3752 and H.R. 9685).

The two bills are substantially similar and their objects may be stated as follows: First, to confer authority upon the President to make agreements with railway companies touching compensation which the government shall pay or guarantee for the use of the property during the period of government possession and operation; for its maintenance in the meanwhile; and for its return at the end of the period in as good condition as when taken; Secondly, to provide a method and tribunal for the determination of the just compensation for the use of the property in the event the President and any railway company are unable to agree with respect to compensation; Thirdly, to provide for such additions, betterments, or extensions as may be necessary in order to make any given railway property adequate for the needs of the war, and, incidentally, to create a fund out of which the expenditures for such additions, betterments, or extensions can be paid; Fourthly, to declare where the rate-making power for general commerce shall rest during the time of government possession, control, and operation; Fifthly, to fix the period of government possession, control, and operation.

The House bill, while differing somewhat from that of the Senate, contains the essential elements of the plan ultimately to be put into effect. Section 1 authorizes the President to agree with the carriers whose property has been taken over that, during the period of federal control, each carrier may receive as just compensation—in lieu of all rights arising under due process of law—an annual sum not exceeding its average annual railway operating income for the three years ended June 30, 1917, plus a return at a rate to be fixed by the President upon the cost of additional facilities made during the last six months of 1917, the

amount of such net earnings and the cost of such additional facilities to be determined by the Interstate Commerce Commission and certified to the President.

Section 2 provides that in case the agreement provided for in sec. 1 is not made the President shall be authorized to pay not exceeding 90 per cent of the estimated amount of just compensation.

Section 3 provides easily available facilities safeguarding the constitutional rights of owners to have their just compensation determined by due process of law. It also furnishes another opportunity for settlement of cases which may not be satisfactorily disposed of by agreement in accordance with the standard return, or under the special power of sec. 1.

Section 4 provides that the agreed or ascertained just compensation may be increased during federal control by an amount reckoned at a reasonable rate per centum, to be fixed by the President upon the cost of additions made while the government is in possession of the roads.

The main purpose of sec. 5 is to give stability to our financial conditions. From the standard return the railroad companies may without permission pay their regular dividends. Conceivably it may be desirable that some of the prosperous carriers should be permitted to increase somewhat their regular dividends; if so the President's prior approval must be obtained. Non-dividend payers or irregular dividend payers, whose standard or ascertained return warrants the payment of dividends, may with the President's permission be put into the dividend-paying class at such rate as the President may determine.

Section 6 provides for a revolving fund to be made up from an initial appropriation of $500,000,000, together with any excess earnings of any of the carriers. This fund is to be available to the President for the purpose of paying the expenses of federal control, supplying any deficit in the just compensation accruing to any carrier, and to provide for rolling stock and terminals, to be used and accounted for as the President may direct, and to be disposed of as Congress may hereafter by law provide. This plan contemplates that engines, cars, and perhaps terminals, shall be purchased or constructed by, and will belong to, the United States.

Section 7 provides for financing the maturities of carriers during the period of federal control. It authorizes the President to purchase for the United States, at prices not exceeding par, any securities issued by the railroads approved by him as consistent with the public interest. Such securities may be sold without loss to the Treasury whenever the President deems it desirable, the proceeds of such sale to go back into

the revolving fund. The estimates of the maturities for the next four years are as follows:

1918	$182,606,528
1919	188,213,052
1920	186,526,253
1921	440,905,528

Section 8 provides in general terms that the President may execute his powers with relation to the federal control through such agencies as he may determine and fix the reasonable compensation for services rendered in connection therewith. He may also use the personnel and facilities of the Interstate Commerce Commission and all other governmental bodies.

Section 9 is simply to the effect that nothing contained in this act shall be deemed to restrict the powers heretofore given to the President to take possession and assume control of any and all systems of transportation. It also provides that this act shall apply to any carriers to which federal control may be hereafter extended.

Section 10 provides that so far as not inconsistent with federal control each of the carriers shall remain subject to all laws and liabilities whether arising under statutes or at common law.

Section 13 provides that the federal control shall continue not to exceed eighteen months after the declaration of peace. It is possible that certain conditions may arise from federal control which will need adjustment before the properties are returned to their owners, and a reasonable period is therefore allowed to intervene in which these conditions may be met and adjusted.

It may be that the nation will be unwilling to return to the conditions obtaining before the assumption of federal control. In this event legislation may be demanded radically changing the relation of the government to the railroads from that now existing in the interstate commerce act as amended.

NEW PLAN OF INTERIM WAR FINANCING

A new plan of interim war financing was announced by the Secretary of the Treasury on February 7, when Mr. McAdoo made public the fact that he had offered through Federal Reserve banks an issue of $500,000,000 of certificates of indebtedness to mature on May 9, 1918, at par, bearing 4 per cent interest from the date of his announcement. In connection with this offer the Secretary of the Treasury addressed a

telegram to all national and state banking institutions, approximately twenty-five thousand in number, inviting each as a matter of patriotic duty to set aside each week about 1 per cent of its gross resources, and to place that amount at the disposal of the government by investing it in certificates of indebtedness as the latter might be offered from time to time.

It was further announced that these offers would be made at intervals of about two weeks, the expectation being that if each bank should do its share a maximum of 10 per cent of the gross resources of the banks, or approximately $3,000,000,000, would be raised between the date of the announcement and the next Liberty Loan.

It is interesting to note in connection with this offer that in anticipation of the first and second Liberty Loans the Treasury Department placed $3,358,000,000 of certificates, which were liquidated by the subsequent Liberty Bonds when issued.

Subscription books for the first $500,000,000 worth of treasury certificates were immediately opened upon the same general terms and conditions as in the case of past issues of certificates. On February 21 the Secretary was able to announce that this entire issue had been subscribed and that this was due to the action of the larger banks in financial centers, notably New York, in taking more than their share of the issue and thus making up the deficiency which arose from the failure of other banks to respond to the request which was made of them. Only two districts, New York and Kansas City, exceeded their allotment and one, Minneapolis, equaled its allotment. The amount of subscriptions from the country at large was disappointing. This may be partly due to the fact that some banks had only a short interval within which to accumulate funds for investment in Treasury certificates and partly because some subscribed on the basis of 1 per cent of their resources, not understanding that the request to set aside 1 per cent a week carried with it the request to subscribe for an amount equal to at least 2 per cent of their resources for each bi-weekly issue of certificates. No doubt this error will not be repeated and the banks will subscribe at least 2 per cent of their resources for the next issue.

It is to be borne in mind that the program of setting aside 1 per cent a week and subscribing 2 per cent for each issue is a minimum program; that there must be some banks and trust companies which cannot meet even this program and others which can do much more than the minimum. A great many banks and trust companies have undoubtedly subscribed for certificates in excess of the indicated minimum.

While the new method of interim financing does not technically change the basis of financing heretofore adopted, it is significant in two ways. In the first place it now practically makes it a public duty of the banks of the country to purchase interim certificates in proportion to resources; while in the second place it manifestly lengthens the period between Liberty Loans during which the banks are called upon to carry the necessities of the government pending the placing of new issues of bonds for the purpose of funding the certificates of indebtedness. The adoption of the new plan offers a number of arguments in its favor. Certain obvious considerations must be given weight in opposition to it.

A "SURVEY" OF SUGAR

The first results of the inclusive "food survey" authorized and appropriated for by Congress at the time when the Food Administration was created are now in hand and have just been published by the Department of Agriculture as "Circular 96, 1917." This study is of considerable interest, not merely for its content, which is of some significance, but because of the fact that the survey has been made in a different way and with methods different from those employed in the ordinary government inquiry.

What has been sought has been to show the actual distribution of sugar between different classes of holders on a designated date—in this case August 31, 1917. On the basis of the returns from the survey it is estimated that the stocks of sugar in commercial channels on August 31, 1917, were about 1,500,000,000 pounds as compared with 2,000,000,000 pounds on August 31, 1916. The amount shown for 1917 would represent about a nine weeks' supply for the country and that for 1916 a twelve weeks' supply. The volume of sugar in various channels of trade shown by the inventories for 1917 and 1916, taken in connection with the net available supply for 1917, makes it possible to determine the amount of sugar actually consumed in 1917. The amount thus consumed was approximately 9,100,000,000 pounds, or 88.3 pounds per capita.

In the absence of inventory figures for August 31, 1915, it is not possible similarly to determine the amount consumed in 1916. However, approximate figures can be given for the average annual consumption of the five-year period ending in 1916. This average amounts to 8,300,000,000 pounds or 84.7 pounds per capita. It is thus apparent that there has been a considerable increase in the consumption of sugar. This increase is due in part to increased manufacture for export of

commodities like condensed milk, in which sugar is an important ingredient, and to the increased use of sugar in canning. It is probably due in larger measure to the normal increase in the population of the country, coupled with an increased per capita consumption of sugar, and to an increase in consumers' stocks. The results of the survey show that the stocks of sugar reported for August 31, 1917, were much farther advanced on their way from producer to consumer than those reported for 1916. The stocks reported for 1917 by sugar mills and refineries and by storage concerns were very much smaller than the stocks reported for 1916; but the 1917 stocks of the important classes designated as large users of sugar were uniformly larger than their 1916 stocks.

On the whole the survey seems to show that while there had been no "economy" in the per capita consumption of sugar this growth in per capita consumption indicated a growth in the power to export and feed others through the production of manufactured articles, while the shortage of the past winter was not due to shortage in the ordinary sense of that term but rather to faulty distribution, much of the regular supply being kept at the refining and importing points and shipped only to meet the requirements of current consumption as these develop themselves from time to time.